

The Metropolitan Trust Company

AR11

ANNUAL REPORT 1968



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The Metropolitan Trust Company



Head Office
353 Bay Street, Toronto 1
Telephone 362-4761

Directors

*Harry T. O'Neill

Chairman of the Board—The Metropolitan Trust Company
Chairman of the Board—International Savings and Mortgage Corporation

Joseph A. Chiappetta, Q.C.

Gambin, Bratty, Chiappetta, Morassutti & Caruso

*Jan Duinker

Director—International Savings & Mortgage Corporation
President—Netherlands Overseas Corporation Canada Limited

*Rudolf V. Frastacky

President—The Metropolitan Trust Company
Director—International Savings and Mortgage Corporation

Arthur B. Gill

Director—International Savings and Mortgage Corporation
President—The Morgan Trust Company, Montreal, P.Q.

The Hon. D. S. Harkness, P.C., G.M., E.D., B.A.

Member of the Canadian House of Commons, Ottawa

Christoph von Malaise

Executive Vice-President—Reno Engrais Chimiques, Paris, France

*K. L. Markon

Director—International Savings and Mortgage Corporation
President—Lismar Holdings Limited

Robert K. McConnell

President—McConnell and Company Limited

*J. Jacques Pigott

Executive Vice-President—Pigott Construction Company Limited

*T. Stewart Ripley

Executive Vice-President and General Manager—The Metropolitan Trust Company
President—International Savings and Mortgage Corporation

Jacques Roy

Director—International Savings and Mortgage Corporation
Executive Vice-President and General Manager—The Morgan Trust Company, Montreal, P.Q.

Friedrich Simon

General Partner—Bankhaus Friedrich Simon, Düsseldorf, Germany

Lawrence W. Skey, D.F.C., B. Comm.

Treasurer and Director—Scudder International Investments Limited

Senator The Hon. Richard J. Stanbury, Q.C.

Hollingworth and Stanbury, Barristers and Solicitors

Walther H. Stromeyer

Partner—Bankhaus H. Aufhaeuser, Munich, Germany

*Member of Executive Committee

Directors—International Savings and Mortgage Corporation

(not including interlocking directorships with The Metropolitan Trust Company)

Norman C. Saint, B. Comm., C.A.

Treasurer—The Metropolitan Trust Company

A. Jack Russell

Secretary and Assistant General Manager—Trusts
The Metropolitan Trust Company, Toronto, Ontario

Officers

Chairman of the Board—Harry T. O'Neill

President—Rudolf V. Frastacky

Executive Vice-President and General Manager—T. Stewart Ripley

Treasurer—Norman C. Saint, B. Comm., C.A.

Secretary and Assistant General Manager—Trusts—A. Jack Russell

Assistant General Manager—Investments—Frank P. Benner

Assistant General Manager—Administration—Edward L. Finch

Assistant General Manager—International Division—A. G. Vuk

Assistant General Manager—Mortgages—J. Malcolm Wredden

Assistant Treasurer and Controller—Edwin J. Carter, C.A.

Supervisor of Branches—Geoffrey R. Wilson

Report to the Shareholders

On behalf of the Board of Directors, I am pleased to submit herewith the 1968 Annual Report of your Company.

Merger with York Trust and Savings Corporation

Late in 1967, your Company purchased control of York Trust and Savings Corporation with the intention of merging the operations of York with its own operations as soon as possible. On June 30, 1968, the merger of the companies was carried through. The actual form in which this was accomplished involved transferring the net assets and business of the original Metropolitan Trust Company into York Trust and Savings Corporation and then changing the name of York to "The Metropolitan Trust Company".

When we assumed control of the York operations, we immediately implemented a cost savings program aimed at reducing branch operating costs and eliminating duplication of administrative services as far as possible. I am now able to report that, with the consolidation early in 1969 of the remaining three Loblaw branches of York, the reorganization and cost reduction programs have been largely completed.

Financial statements

In preparing the financial statements for inclusion in the Annual Report, we have made every effort to give full and complete disclosure of the Company's operations over the year 1968. To do this, we have revised certain of our accounting practices and methods of statement presentation. We believe that the end product provides the fairest possible measure of our operating results both in the pre-merger and post merger periods and of our consolidated financial position at the year end.

The financial statements of Metropolitan include a consolidated balance sheet of the Company and its subsidiary, International Savings and Mortgage Corporation, as at December 31, 1968 and consolidated statements of earnings, undivided profits and reserve fund for the six month period ended December 31, 1968 following the merger with York Trust. Separate statements are provided showing the operations of Metropolitan and of York for the six months ended June 30, 1968 prior to the merger.

To complete the financial information contained in the report, the unconsolidated balance sheet of Metropolitan at December 31, 1968 and the financial statements of International Savings and Mortgage

over

Corporation for its fiscal year ended December 31, 1968 are also presented separately.

Earnings

Consolidated earnings of the merged Company for the six months ended December 31, 1968 amounted to \$307,000 or \$1.06 per share. These earnings included net profits of \$70,000 (or 24¢ per share) on sales of securities and an extraordinary income tax credit of \$30,000 (or 10¢ per share).

Earnings of the original Metropolitan Trust Company for the six months ended June 30, 1968 were \$106,000 or 42¢ per share. For the full year 1967, earnings amounted to \$165,000 or 68¢ per share. Your attention is directed, however, to note 3 to the financial statements which refers to certain changes in accounting practices which would affect the comparability of earnings prior to the merger.

Dividends

Dividends totalling 29¢ per share were paid in 1968, 14¢ per subdivided share on February 15, 1968 and 15¢ on August 15, 1968. The dividend payable on February 15, 1969 was increased to 25¢ per share.

Liquid assets

The balance sheet points out the Company's very strong liquid position. Cash and bank deposit receipts, marketable bonds and stocks, short-term corporation notes, and advances on mortgages to be re-sold totalled roughly \$31,000,000 at December 31, 1968.

Guaranteed account

In the six months following the merger, savings and term deposits and investment certificates increased by a net amount of \$2,808,000, or 4%, to a total of \$77,076,000, consisting of increases of \$4,423,000 in savings deposits and \$1,423,000 in guaranteed investment certificates, less a decrease of \$3,038,000 in term deposits. This reduction in term deposits reflected the Company's continuing policy of limiting the total amount of such deposits to those which could be employed profitably. Special guaranteed funds decreased by \$2,328,000 during the period due to the repayment upon maturity of the balance of \$2,000,000 on one loan and monthly principal payments totalling \$328,000 on the remaining loan.

Shareholders' equity

Shareholders' equity amounted to \$4,562,000 at

December 31, 1968 (including a reserve fund of \$1,400,000) compared with \$4,155,000 at June 30, 1968. The 295,435 shares of the Company outstanding at December 31, 1968 are summarized in note 5 to the financial statements.

Assets under administration

Total consolidated assets owned and under administration increased by \$46,500,000 or 17% during the six months ended December 31, 1968 to a total of \$312,400,000 at the year end.

Branch Operations

Despite the increased competition in 1968 among financial institutions for the public's savings dollar, your Company's branch operation continued to show a steady growth in this area. Deposits increased \$6,212,000 for the year, a growth of 8.8% which compares favourably with the industry averages. This growth is even more significant in the light of our reorganization which saw a consolidation of branch offices from 22 to 14.

As mentioned earlier this reorganization is now complete as far as branches are concerned, with the transfer of the remaining Loblaw offices in January of 1969. The Company now operates 12 well-located branches, 10 in the Metropolitan Toronto area and 2 branches of its subsidiary company, International Savings and Mortgage Corporation in Montreal.

International Savings and Mortgage Corporation

The growth of International Savings has been most gratifying. Two branches are maintained in Montreal with the Head Office in Toronto at 353 Bay Street.

Assets increased by \$2,155,000 to \$6,900,000 during the year, with an increase in deposits from the public of \$2,055,000 to \$5,137,000.

International Savings recently introduced a special Mortgage Savings Certificate. This certificate enables the smaller investor to participate directly in trustee and Government insured first mortgages without any of the inconvenience of individual mortgage administration. This instrument has proven to be most popular.

Mortgage Department

Funds totalling over \$24,000,000 placed by your Mortgage Department provided more than 2,000 single family units in 1968 for Canadian families. New industrial and commercial construction was also financed

The Metropolitan Trust Company



through the facilities of the mortgage department.

One of your company's main functions and indeed duties, is to attract investors to Canada. To develop this area the company provides services specialized to the needs of United States and overseas investors. In five years the Company's mortgage banking operation has grown to a point where we have originated and now administer \$150,000,000 in mortgages for over 26 institutional investors, acting as a mortgage correspondent and servicing agent as the situation requires for a number of large United States Insurance Companies, Canadian Pension Funds and Canadian and foreign financial institutions.

Real Estate

The past year has seen an increasing demand by our Canadian and European clients for real estate investments. This increased demand is caused by the world wide concern over inflation, and these inflationary pressures have resulted in higher rates for mortgages and increased development costs.

With our wide range of contacts across Canada, built up over the years we were successful in locating properties which provided sound security and good returns. This was accomplished despite the fact that the inflationary pressures previously mentioned have reduced returns on equity positions. As a result of our intimate knowledge of the national real estate market, we were able to increase sales in 1968 by \$21,500,000, an increase of 45% over the previous year.

Five Oaks Holdings Limited and Lehndorff Investment Funds, two European real estate investment funds for whom we act as advisors and managers were spectacularly successful in the past year in increasing the number of their subscribers. This method of real estate syndication has channelled funds from a broad segment of the European public to Canada.

Personal and Corporate Trust Services

Personal and Corporate Trust Services continue to show steady growth. The Company acts as Stock Transfer Agent, Registrar and Dividend Disbursing Agent for a growing number of Canadian corporations. Overall management offering complete financial and secretarial services is also provided for over 100 Canadian companies established for International clients.

The Company also acts as a depository and trustee for the International Scholarship Foundation of

Canada (University Scholarships of Canada) maintaining over 18,000 accounts for its subscribers.

The Metropolitan Trust Company Investment Funds

The development of the Metropolitan Trust Investment Funds has been most encouraging, particularly the performance of the growth section which showed a 22% increase in unit value for 1968 and an overall increase in assets for the same period of 300%.

Property Management

One of the largest institutional property managers in Toronto, this department manages apartment buildings, offices, factories, shopping plazas and farm holdings for our clients. Many of the large high rise developments in Toronto are managed by Metro Trust and over 3,600 families are our tenants.

Data Processing

With the growth in size and complexity of the Company's operations, the increased use of data processing equipment becomes mandatory. In April, 1969, an electronic computer system will be installed to meet the increased information needs of management and our clients.

Staff

The ease with which the employees of the two predecessor companies have merged their activities and aims is a tribute to the calibre of staff who have contributed so much to the success of the past year. On behalf of the Board of Directors, this contribution is acknowledged with gratititude.

Respectfully submitted

R. V. Frastacky
President

Toronto, February 12, 1969

The Metropolitan Trust Company

(Incorporated under The Loan and Trust Corporations Act of Ontario)
and its subsidiary, International Savings and Mortgage Corporation

Consolidated Balance Sheet

DECEMBER 31, 1968

(with comparative figures at June 30, 1968—Note 1)

Assets

	<i>December 31, 1968</i>	<i>June 30, 1968</i>
Cash and bank deposit receipts.....	\$ 8,286,457	\$ 7,534,152
Bonds:		
Government of Canada and Provincial bonds	11,161,969	10,973,291
Municipal and corporate bonds.....	<u>4,086,618</u>	<u>4,117,649</u>
Total, at amortized cost (market value \$13,583,000 at December 31; \$13,711,000 at June 30).....	15,248,587	15,090,940
Stocks, at lower of cost or market (market value \$322,000 at December 31; \$443,000 at June 30).....	298,572	442,894
Short term corporation notes.....	5,865,420	5,009,792
Advances on mortgages to be resold	1,700,492	1,823,763
Secured loans.....	175,141	229,876
Fees, commissions and other receivables.....	431,295	575,384
Mortgages, at amortized cost.....	64,156,160	64,754,679
Premises, equipment and leasehold improvements, at cost less accumulated depreciation and amortization of \$562,730 (\$488,074 at June 30)	<u>489,892</u>	<u>496,324</u>
TOTAL CAPITAL AND GUARANTEED ACCOUNT ASSETS	<u>\$ 96,652,016</u>	<u>\$ 95,957,804</u>

Assets Under Administration

Cash, securities and other assets held for Estates, Trusts and Agencies.....	\$215,779,165	\$169,959,795
Capital and guaranteed account assets	<u>96,652,016</u>	<u>95,957,804</u>
TOTAL ASSETS UNDER ADMINISTRATION.....	<u>\$312,431,181</u>	<u>\$265,917,599</u>

Liabilities and Shareholders' Equity

	December 31, 1968	June 30, 1968
LIABILITIES:		
Guaranteed account—		
Savings deposits	\$ 29,624,150	\$ 25,201,220
Term deposits.....	7,230,138	10,268,173
Investment certificates.....	40,221,657	38,798,874
Special guaranteed funds (note 4)	14,625,391	16,953,401
	<hr/> 91,701,336	<hr/> 91,221,668
Sundry accrued liabilities	388,386	580,911
	<hr/> 92,089,722	<hr/> 91,802,579
SHAREHOLDERS' EQUITY:		
Capital stock (note 5)—		
Authorized: 1,000,000 shares of \$10 par value each		
Issued: 295,435 shares (287,400 shares at June 30, 1968)	2,954,350	2,874,000
Reserve fund.....	1,400,000	1,281,225
Undivided profits.....	207,944	—
	<hr/> 4,562,294	<hr/> 4,155,225
TOTAL CAPITAL AND GUARANTEED ACCOUNT LIABILITIES...	\$ 96,652,016	\$ 95,957,804

Attested (signed) RUDOLF V. FRASTACKY,
President

(signed) T. STEWART RIPLEY,
Executive Vice President and General Manager

Consolidated Statement of Earnings

**FOR THE SIX MONTHS ENDED
DECEMBER 31, 1968 (NOTE 1)**

INCOME:

Interest on mortgages.....	\$2,433,876
Interest and dividends on bonds, notes and stocks.....	903,569
Fees and commissions.....	634,112
Net profits on sales of securities	70,078
	<hr/>
	4,041,635

EXPENSE:

Interest on guaranteed funds	2,590,964
Salaries and staff benefits	671,432
Depreciation	74,656
Other operating expenses	397,629
	<hr/>
	3,734,681

Earnings before income taxes	306,954
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Income taxes (see extraordinary credit below).....	<u>30,000</u>
----------------------------------------------------	---------------

Earnings before extraordinary credit	276,954
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Extraordinary credit—reduction in current period's income taxes resulting from loss carry-forward (note 6) .	<u>30,000</u>
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EARNINGS FOR THE SIX MONTHS	<u>\$ 306,954</u>
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Consolidated Statements of Undivided Profits and Reserve Fund

FOR THE SIX MONTHS ENDED
DECEMBER 31, 1968 (NOTE 1)

Undivided Profits

BALANCE, JULY 1, 1968	—
Add earnings for the six months.	<u>\$ 306,954</u>
	<u>306,954</u>
Deduct transfer to reserve fund	<u>99,010</u>
 BALANCE, DECEMBER 31, 1968	 <u>\$ 207,944</u>

Reserve Fund

BALANCE, July 1, 1968, consisting of:	
Excess of book value of net assets purchased from the original Metropolitan Trust Company over par value of shares issued in consideration therefor (equal to the total of "undivided profits, \$818,654" and "reserve fund, \$332,750" of the original Metropolitan Trust Company) (note 1)	\$1,151,404
Securities reserves transferred (note 3)	<u>129,821</u>
	<u>1,281,225</u>
 ADD:	
Transfer from undivided profits	99,010
Premiums received on shares issued	<u>19,765</u>
 BALANCE, DECEMBER 31, 1968.	 <u>\$1,400,000</u>

(See accompanying notes to financial statements)

Notes to Financial Statements

DECEMBER 31, 1968

1. Merger with York Trust and Savings Corporation

Effective June 30, 1968, the operations of The Metropolitan Trust Company and York Trust and Savings Corporation were merged. The form in which the merger was carried out involved transferring the net assets and business of the original Metropolitan Trust Company into York Trust and Savings Corporation, and then changing the name of York Trust to "The Metropolitan Trust Company". Following the transfer of its assets, the original Metropolitan Trust Company was dissolved.

The accompanying financial statements present the financial position of the merged company as at December 31, 1968 (on both a consolidated and an unconsolidated basis), and the consolidated results of its operations for the six month period from the date of merger to December 31, 1968. The operations of the two predecessor entities for the six month period ended June 30, 1968 (prior to the merger) are presented separately.

The 1967 operations were carried out under different managements, operating conditions and financial structures. Because of their lack of comparability, 1967 figures are not set out in the accompanying financial statements.

2. Capital reduction in York Trust and Savings Corporation

Effective with the merger, York Trust's capital stock was reduced by \$5,924,329 which was applied (i) to eliminate York's deficit of \$3,310,662, and (ii) to write down the carrying values of York's bonds, stocks, and mortgages by \$2,613,667. The write-down in the carrying value of the securities is being amortized over the life of the investments to which it relates, and in the six months ended December 31, 1968, such amortization (which has no income tax effect) amounted to \$150,905.

The unamortized balance of such write-downs amounting to \$2,462,762 at December 31, 1968 is included in the company's "capital base for borrowing purposes" as determined under the provisions of The Loan and Trust Corporations Act.

3. Changes in accounting practices as at the date of the merger

As at June 30, 1968 the company adopted the following revised accounting practices:

- (a) Municipal and corporate bonds are carried in the balance sheet at amortized cost and stocks at the lower of cost or market. Previously, municipal and corporate bonds and stocks were carried at values approximating market value.
- (b) Net profits or losses on sales of securities are reflected in the statement of earnings. Previously such profits or losses were transferred directly to securities reserves.
- (c) The previous practice of making charges against earnings for securities reserves has been discontinued.

Securities reserves of \$129,821 accumulated to June 30, 1968 have been transferred to the general "Reserve Fund".

4. Special guaranteed funds

Special guaranteed funds consist of a loan, secured by a pledge of N.H.A. mortgages with a principal value of approximately \$16,300,000, repayable by December 1, 1977, with interest at 6½% per annum. Monthly principal repayments are to be made during the period the funds are held, equal to all principal amounts received on the pledged mortgages.

5. Capital stock

The 295,435 shares of capital stock outstanding at December 31, 1968 may be summarized as follows:

	Number of shares
Original Metropolitan—January 1, 1968 (102,326 shares of \$25 par value subdivided on a 2½ for 1 basis in April, 1968)	255,815
Options exercised to June 30, 1968 at \$11 per share	<u>3,750</u>
Shares of present Metropolitan exchanged on a 1 for 1 basis for shares of original Metropolitan.....	259,565
Shares of present Metropolitan issued to York minority shareholders.....	<u>27,835</u>
Shares of present Metropolitan (the merged company) at June 30, 1968	287,400
Options exercised July 1 to December 31, 1968:	
—at \$11 per share	4,125
—at \$14 per share	<u>3,910</u> 8,035
Total outstanding—December 31, 1968.....	<u>295,435</u>

The authorized share capital was increased to 1,000,000 shares of \$10 par value at the time of the merger.

At December 31, 1968 options were outstanding to certain officers to purchase 12,975 shares, as follows:

<u>Option expires</u>	<u>Option price</u>	Number of shares
December 15, 1969	\$15.20	1,100
December 15, 1970	15.20	2,500
December 17, 1972	11.00	1,250
December 17, 1973	11.00	<u>8,125</u>
		12,975

6. Reduction in income taxes

The reduction in income taxes of \$30,000 shown as an extraordinary credit in the consolidated statement of earnings for the six months ended December 31, 1968 results from the carry-forward for tax purposes of prior periods' losses of York Trust and Savings Corporation. Additional losses of approximately \$2,000,000 are available for deduction from future years' taxable income, subject to a 5-year carry-over limitation from the year of loss.

To the Shareholders of The Metropolitan Trust Company:

We have examined the consolidated balance sheet of The Metropolitan Trust Company and its subsidiary company as at December 31, 1968 and the consolidated statements of earnings, undivided profits and reserve fund for the six months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The assets held for Guaranteed Account and for Estates, Trusts and Agencies are kept separate from the Company's own assets and are so recorded on the books of the company's as to show the accounts to which they belong.

In our opinion, these consolidated financial statements present fairly the financial position of The Metropolitan Trust Company and its subsidiary company as at December 31, 1968 and the results of their operations for the six months then ended.

We have also examined the accompanying statements of earnings, undivided profits and reserve fund of The Metropolitan Trust Company (the original "Metropolitan Trust" which was dissolved effective June 30, 1968) and the consolidated statements of loss and deficit of York Trust and Savings Corporation and its subsidiary company for the six months ended June 30, 1968. In our opinion, these financial statements present fairly the results of operations of the companies for the six months ended June 30, 1968.

Clarkson, Gordon & Co.

Toronto, Canada,
January 31, 1969.

Chartered Accountants

The Metropolitan Trust Company

STATEMENTS OF EARNINGS, UNDIVIDED PROFITS AND RESERVE FUND

For The Six Months Ended June 30, 1968 (note 1)

Earnings

INCOME:

Interest on mortgages.....	\$ 498,676
Interest and dividends on bonds, notes and stocks	475,347
Fees and commissions.....	<u>521,377</u>
	1,495,400

EXPENSE:

Interest on guaranteed funds	\$ 713,841
Salaries and staff benefits	338,986
Depreciation	12,663
Other operating expenses.....	<u>202,763</u>
Earnings before provision for securities reserve and income taxes	227,147
Provision for securities reserve	<u>35,000</u>
Earnings before income taxes	192,147
Income taxes.....	<u>86,000</u>
EARNINGS FOR THE SIX MONTHS.....	<u><u>\$ 106,147</u></u>

Undivided Profits

BALANCE, DECEMBER 31, 1967.....	\$ 289,757
ADD:	
Earnings for the six months	106,147
Recovery of current and prior year's income taxes resulting from the sale of the company's assets to York Trust and Savings Corporation (note 1)	<u>348,431</u>
Adjustment of investment in shares of York Trust and Savings Corporation as a result of the reorganization of that company	<u><u>148,507</u></u>
Deduct dividends.....	<u>892,842</u>
Balance before dissolution	<u>74,188</u>
Amount attributed to shares of company on dissolution (note 1)	<u>818,654</u>
BALANCE, JUNE 30, 1968.....	<u><u>(818,654)</u></u>
	<u>Ø</u>

Reserve Fund

BALANCE, DECEMBER 31, 1967.....	\$ 325,000
Add premiums received on shares issued.....	7,750
Balance before dissolution	<u>332,750</u>
Amount attributed to shares of company on dissolution (note 1)	<u>(332,750)</u>
BALANCE, JUNE 30, 1968	<u>Ø</u>

(See accompanying notes to financial statements)

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
For The Six Months Ended June 30, 1968 (note 1)

Loss

INCOME:

Interest on mortgages.....	\$1,759,374
Interest and dividends on bonds and stocks.....	455,137
Fees and commissions.....	93,023
	<hr/>
	2,307,534

EXPENSE:

Interest on guaranteed funds	\$1,899,603
Salaries and staff benefits.....	330,765
Depreciation.....	68,458
Other operating expenses (including non-recurring expenses of \$109,217 in connection with the closing of branches and other administrative changes)	442,920
Loss on sales of investments and provision for securities reserve.....	<hr/> 90,335
	2,832,081
NET LOSS FOR THE SIX MONTHS	\$ 524,547

Deficit

BALANCE, DECEMBER 31, 1967..... \$1,670,040

ADD:

Net loss for the six months	524,547
Re-organization and other costs in connection with the merger	252,826
Loss on sale of shares in Fort Garry Trust Company, a subsidiary company.....	748,033
Write-off of excess of cost of shares of International Savings and Mortgage Corporation over the net book value thereof at date of acquisition ..	<hr/> 115,216
Balance before capital reduction.....	3,310,662
Portion of capital reduction applied to eliminate deficit (note 2).....	(3,310,662)
BALANCE, JUNE 30, 1968	0

Unconsolidated Balance Sheet

DECEMBER 31, 1968

(with comparative figures at June 30, 1968—Note 1)

	<i>December 31, 1968</i>	<i>June 30, 1968</i>
Cash and bank deposit receipts.....	\$ 7,102,464	\$ 6,374,618
Bonds:		
Government of Canada and Provincial bonds	10,820,604	10,658,415
Municipal and corporate bonds.....	3,759,835	3,791,213
Total, at amortized cost (market value \$12,980,000 at December 31; \$13,128,000 at June 30).....	14,580,439	14,449,628
Stocks, at lower of cost or market (market value \$322,000 at December 31; \$300,000 at June 30).....	298,572	300,379
Short term corporation notes.....	5,664,554	4,859,257
Advances on mortgages to be resold.....	894,377	1,823,763
Secured loans	158,701	222,152
Fees, commissions and other receivables	394,766	549,176
Mortgages, at amortized cost.....	60,243,903	61,405,387
Investment in shares of subsidiary company, International Savings and Mortgage Corporation, at equity value	1,652,657	1,565,023
Premises, equipment and leasehold improvements, at cost less accumulated depreciation and amortization of \$499,838 (\$437,388 at June 30)	413,479	407,705
Total capital and guaranteed account assets.....	<u>\$ 91,403,912</u>	<u>\$ 91,957,088</u>

Assets Under Administration

Cash, securities and other assets held for Estates, Trusts and Agencies	\$215,779,165	\$169,959,795
Capital and guaranteed account assets.....	91,403,912	91,957,088
Total assets under administration.....	<u>\$307,183,077</u>	<u>\$261,916,883</u>

Liabilities and Shareholders' Equity

	<i>December 31, 1968</i>	<i>June 30, 1968</i>
Liabilities:		
Guaranteed account—		
Savings deposits	\$27,631,194	\$23,602,270
Term deposits.....	6,888,086	9,956,533
Investment certificates.....	37,418,757	36,820,845
Special guaranteed funds (note 4)	14,625,391	16,953,401
	<u>86,563,428</u>	<u>87,333,049</u>
Sundry accrued liabilities	319,298	509,922
	<u>86,882,726</u>	<u>87,842,971</u>
Shareholders' equity:		
Capital stock (note 5)—		
Authorized: 1,000,000 shares of \$10 par value each		
Issued: 295,435 shares (287,400 shares at June 30, 1968). .	2,954,350	2,874,000
Reserve fund.....	1,358,892	1,240,117
Undivided profits.....	207,944	—
	<u>4,521,186</u>	<u>4,114,117</u>
Total capital and guaranteed account liabilities	<u>\$91,403,912</u>	<u>\$91,957,088</u>

(See accompanying notes to financial statements)

Attested: (signed) RUDOLF V. FRASTACKY,
President

(signed) T. STEWART RIPLEY,
Executive Vice President and General Manager

Auditors' Report

To the Shareholders of The Metropolitan Trust Company:

We have examined the unconsolidated balance sheet of The Metropolitan Trust Company as at December 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The assets held for Guaranteed Account and for Estates, Trusts and Agencies are kept separate from the company's own assets and are so recorded on the books of the company as to show the accounts to which they belong.

In our opinion, the accompanying unconsolidated balance sheet presents fairly the financial position of The Metropolitan Trust Company as at December 31, 1968.

Toronto, Canada,
January 31, 1969.

Clarkson, Gordon & Co.
Chartered Accountants

International Savings and Mortgage Corporation
 (Incorporated by Special Act of the Parliament of Canada)

Balance Sheet

DECEMBER 31, 1968
(with comparative figures as at December 31, 1967)

Assets

	<u>1968</u>	<u>1967</u>
Cash and bank deposit receipts	\$1,183,993	\$ 607,010
Bonds:		
Government of Canada and Provincial bonds	341,365	369,480
Municipal and corporate bonds	<u>326,784</u>	<u>336,032</u>
Total, at amortized cost (market value 1968— \$603,000; 1967—\$650,000)	668,149	705,512
Stocks (market value 1967—\$143,000)	—	154,048
Short term corporation notes	200,866	—
Advances on mortgages to be resold	806,115	—
Secured loans	16,440	154,288
Accounts receivable	36,529	49,367
Mortages, at amortized cost	3,912,257	2,974,564
Premises, equipment and leasehold improvements, at cost less ac- cumulated depreciation and amortization of \$63,775 (1967— \$39,530)	76,413	100,439
	<u>\$6,900,762</u>	<u>\$4,745,228</u>

(See accompanying notes to financial statements)

Auditors' Report

To the Shareholders of International Savings and Mortgage Corporation:

We have examined the balance sheet of International Savings and Mortgage Corporation as at December 31, 1968 and the statements of earnings, deficit, and reserve fund for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of International Savings and Mortgage Corporation as at December 31, 1968 and the results of its operations for the year then ended.

Montreal, Canada,
 January 31, 1969.

Clarkson, Gordon & Co.
 Chartered Accountants

Liabilities and Shareholders' Equity

	<u>1968</u>	<u>1967</u>
Liabilities:		
Deposits and certificates—		
Savings deposits	\$1,992,956	\$1,417,622
Term deposits.....	342,052	130,458
Investment certificates.....	<u>2,802,900</u>	<u>1,534,387</u>
Sundry accrued liabilities	<u>5,137,908</u>	<u>3,082,467</u>
	<u>29,711</u>	<u>7,676</u>
	<u><u>5,167,619</u></u>	<u><u>3,090,143</u></u>

Shareholders' equity:

Capital stock —

Authorized:

4,000,000 shares of \$5 par value each

Issued:

	<u>1968</u>	<u>1967</u>		
Fully paid shares	293,980	241,660	1,469,900	1,208,300
Partly paid shares	3,600	55,920	15,624	232,762
	<u><u>297,580</u></u>	<u><u>297,580</u></u>	<u><u>1,485,524</u></u>	<u><u>1,441,062</u></u>
Reserve fund.....			401,108	360,000
Deficit.....			<u>(153,489)</u>	<u>(145,977)</u>
			<u><u>1,733,143</u></u>	<u><u>1,655,085</u></u>
			<u><u>\$6,900,762</u></u>	<u><u>\$4,745,228</u></u>

We hereby certify that to the best of our knowledge and belief the above statement is correct and shows truly and clearly the financial condition of the Company's affairs.

(signed) T. STEWART RIPLEY,
President and Director

(signed) NORMAN C. SAINT,
Director

STATEMENTS OF EARNINGS, DEFICIT, AND RESERVE FUND

For the Year Ended December 31, 1968
(with comparative figures for 1967)

Earnings

	1968	1967
INCOME:		
Interest on mortgages	\$283,600	\$203,808
Interest and dividends on bonds, notes and stocks.....	115,719	59,559
Fees and commissions	8,311	13,331
Net profits on sales of securities.....	28,068	—
	<u>435,698</u>	<u>276,698</u>
EXPENSE:		
Interest on deposits and certificates ...	222,668	102,436
Salaries and staff benefits.....	78,405	75,888
Depreciation.....	24,745	24,234
Other operating expenses.....	76,284	101,932
	<u>402,102</u>	<u>304,490</u>
Earnings (loss) before special provision for securities reserve	33,596	(27,792)
Provision for securities reserve (note 1) .	41,108	—
Net loss for the year	<u>\$ (7,512)</u>	<u>\$ (27,792)</u>

Deficit

Balance, beginning of year.....	\$ (145,977)	\$ (118,185)
Net loss for the year	(7,512)	(27,792)
Balance, end of year.....	<u>\$ (153,489)</u>	<u>\$ (145,977)</u>

Reserve Fund

Balance, beginning of year.....	\$360,000	\$360,000
Securities reserve transferred— July 1, 1968 (note 1)	41,108	—
Balance, end of year.....	<u>\$401,108</u>	<u>\$360,000</u>

INTERNATIONAL SAVINGS AND
MORTGAGE CORPORATION

Notes to Financial Statements

December 31, 1968

1. Changes in accounting practices as at June 30, 1968

As at June 30, 1968, the company's parent company, York Trust and Savings Corporation, was merged with The Metropolitan Trust Company, at which time certain revised accounting practices were adopted, as follows:

(a) A securities reserve of \$41,108 provided by a special charge against earnings during the first six months of 1968 was transferred to the general "Reserve Fund". Securities reserves accumulated in prior years had been applied to write down the carrying value of stocks; in 1968, these securities reserves were eliminated on disposal of the stocks.

(b) Net profits on sales of securities in 1968 (all of which were realized subsequent to June 30, 1968) are reflected in the statement of earnings. In 1967, net profits amounting to \$22,393 were transferred directly to securities reserves.

2. Tax loss carry forward

The company has losses of approximately \$120,000 available for deduction from future years' taxable income, subject to a five-year carry-over limitation from the year of loss.

(See accompanying notes to financial statements)

The Metropolitan Trust Company



Our Growth in Brief

ASSETS, GUARANTEED ACCOUNT AND EQUITY

	December 31, 1968	June 30, 1968 (1)	1967	1966	December 31: 1965	1964
Total Assets under Administration	\$312,431,000	\$265,918,000	\$171,586,000	\$113,269,000	\$ 76,538,000	\$ 58,241,000
Estates, Trusts and Agencies	\$215,779,000	\$169,960,000	\$144,968,000	\$ 89,106,000	\$ 52,578,000	\$ 34,435,000
Guaranteed Account:						
Savings and term deposits and investment certificates	\$ 77,076,000	\$ 74,269,000	\$ 23,263,000	\$ 21,026,000	\$ 21,074,000	\$ 21,069,000
Special guaranteed funds	14,625,000	16,953,000				
	\$ 91,701,000	\$ 91,222,000	\$ 23,263,000	\$ 21,026,000	\$ 21,074,000	\$ 21,069,000
Shareholders' Equity	\$ 4,562,000	\$ 4,155,000	\$ 3,133,000	\$ 2,908,000	\$ 2,786,000	\$ 2,672,000

EARNINGS

	Six months ended December 31, 1968	Six months ended June 30, 1968 (2)	1967	1966	Year Ended December 31:	1965	1964
Earnings before Income Taxes	\$307,000 (3)	\$192,000	\$307,000	\$261,000	\$187,000	\$117,000	
Income Taxes	30,000	86,000	142,000	120,000	69,000	6,000	
Earnings before Extraordinary Credit	\$277,000	\$106,000	\$165,000	\$141,000	\$118,000	\$111,000	
Extraordinary Credit—Tax Reduction	30,000	—	—	—	—	—	
Net Earnings	\$307,000	\$106,000	\$165,000	\$141,000	\$118,000	\$111,000	
EARNINGS PER SHARE (4) (5)							
Earnings before Extraordinary Credit	\$0.96 (3)	\$0.42	\$0.68	\$0.58	\$0.49	\$0.46	
Extraordinary Credit—Tax Reduction	0.10	—	—	—	—	—	
Net Earnings	\$1.06	\$0.42	\$0.68	\$0.58	\$0.49	\$0.46	

Notes:

- (1) The date of the merger with York Trust and Savings Corporation
- (2) Prior to the merger with York Trust and Savings Corporation
- (3) Including \$70,000 (24 cents per share) net profits on sales of securities
- (4) Based on the average number of shares outstanding during the periods
- (5) Per share figures for all periods have been restated to reflect the 2½ for 1 subdivision of shares in April, 1968

Services

Savings Accounts
Save-by-Mail
Chequing Accounts
Guaranteed Investment Certificates
Mortgage Investment Certificates
Term Deposits
Investment Funds (growth and income funds)
Registered Retirement Savings Plan
Estate Planning
Real Estate Sales
Mortgages
Property Management
Real Estate Counselling
Financing
Personal Trust Services
Services for Individuals
Services for Corporations

The Metropolitan Trust Company



Branches

353 Bay Street (at Temperance)
681 Danforth Avenue (near Pape)
1171 St. Clair Avenue West (at Dufferin)
43 Eglinton Avenue East (near Yonge)
852 Eglinton Avenue West (at Bathurst)
628 Sheppard Avenue West (at Bathurst)
Dixie Plaza (1250 South Service Road)
Thorncliffe Market Place (45 Overlea Boulevard)
Towne and Countrye Square (6432 Yonge Street)
1603 Wilson Avenue (at Jane)

International Savings & Mortgage Corp.

Head Office, 353 Bay Street, Toronto 1.

Branches

4861 Van Horne Ave., Montreal 26
2324 Lucerne Road, Montreal 16



Metro Trust